

Committee on Ways and Means

Medicare Prescription Drug Benefit Off to a Strong Start *Costs Lower than Expected; Start Up Problems Being Addressed*

- The new Medicare drug benefit is off to a strong start. Since sign-up began last November, 4.9 million seniors have voluntarily signed up for the new drug benefit, with thousands more doing so each day.
- More than a month into the new benefit, a total of 25 million of our nation's Medicare beneficiaries are receiving help with their prescription costs, 22 million of those benefiting directly from the changes made in the *Medicare Modernization Act* (MMA, P.L. 108-173).
 - **Stand-alone Prescription Drug Plans:** about 4.9 million (1.3 million since January 13).
 - **Medicare/Medicaid:** 6.2 million.
 - **Medicare Advantage:** 4.7 million
 - **Retiree coverage:** About 6.4 million retirees are in employer coverage that is subsidized by the Medicare retiree drug subsidy. Additionally, about 1 million retirees are in employer coverage that incorporates or supplements Medicare prescription drug coverage. Another estimated 500,000 retirees are continuing in coverage that is as good as Medicare's.
 - **TRICARE/ FEHB retirees:** 3.1 million (not receiving assistance from Medicare, but providing drug coverage to their retirees).
- Competition among plans is working. CMS recently announced that the cost of the program is now expected to be 20 percent lower than previously estimated, reducing spending on Part D from an estimated \$38.1 billion to \$30.5 billion in 2006 alone.
- Beneficiary premiums are now expected to average \$25 per month, down from prior estimates of \$37 per month.
- The new drug program is filling more than one million prescriptions per day and helping beneficiaries gain access to the drugs they need at affordable prices. Recent reports show that the top 25 drugs purchased by seniors are experiencing discounts of 35 percent at retail pharmacies at 46 percent through mail-order.
- Despite these successes, many prefer to focus on the problems. As can be expected in the launch of a large new program, there have been some implementation challenges along the way. But HHS is working diligently to resolve problems as they arise. Most recently CMS established a program to reimburse States for costs incurred in providing coverage to dual-eligibles during the transition period. States and the low income dual eligibles will be protected as the glitches in the systems are worked out.